



COSMOSTEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 200515540Z)

PROPOSED ACQUISITION OF WAREHOUSE

1. Introduction

The Board of Directors of CosmoSteel Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that Kim Seng Huat Hardware Pte Ltd (the “**Subsidiary**”), a wholly-owned subsidiary of the Company, has on 6 May 2014 entered into an option agreement (the “**Option Agreement**”) with DDW-Paxocean Shipyard Pte. Ltd. (formerly known as Drydocks World - Singapore Limited) (the “**Vendor**”) pursuant to which the Subsidiary, upon the payment of a sum of S\$68,000.00 (the “**Option Fee**”), was granted an option to purchase (the “**Option**”) from the Vendor a warehouse located at 36 Tuas Crescent, Singapore 638724 (the “**Property**”) (the “**Proposed Acquisition**”).

The Option Fee represents 1.0% of the total consideration for the purchase of the Property of S\$6.8 million (the “**Consideration**”).

2. Information the Property

The Property is a Jurong Town Corporation (“**JTC**”) leasehold single storey detached industrial building with mezzanine located in the western industrial region of Singapore and the Property has a land area of approximately 10,988 square metres. The Property has a leasehold tenure for a period of 23 years from 1997 and there is a remaining tenure of approximately six (6) years. Subsequent to the completion of the sale and purchase of the Property (“**Completion**”), the Subsidiary intends to apply for an extension of the lease of the Property, which is subject to JTC’s approval.

3. Purchase Consideration

The Consideration was arrived at on a willing-buyer willing-seller basis, taking into account various factors including an independent valuation of the Property conducted by GB Global Pte Ltd which appraised the Property as at 18 February 2014 to have an open market value of S\$6.8 million.

The payment terms for the purchase of the Property are as follows:

- (a) the Option Fee shall be payable upon the signing of the Option Agreement;
- (b) 10% of the Consideration less the Option Fee shall be payable upon the exercise of the Option; and
- (c) the balance of the Consideration shall be payable on the date of Completion.

The Consideration will be wholly satisfied in cash and will be funded through a combination of internal resources and bank financing.

4. Material Conditions

Concurrent to the entry into of the Option Agreement, the Subsidiary has also entered into a licence agreement dated 6 May 2014 (the “**Licence Agreement**”) with the Vendor, where the Subsidiary has agreed to grant the Vendor a licence to use and occupy the 2nd floor of the Property free from rent and to retain and use the connecting bridge to the 2nd floor for a period of 12 months commencing from the date of the Option Agreement in consideration of the payment of a licence fee of S\$1.00 by the Vendor, on the terms and subject to the conditions set out in the Licence Agreement.

Completion of the sale and purchase of the Property is subject to the fulfilment of the following material conditions which include but are not limited to the following:

- (a) the Subsidiary and the Vendor obtaining in-principle approval from the relevant authorities and JTC to the sale and purchase of the Property on the terms and subject to the conditions under the Option Agreement and the Property being approved for warehousing and workshop;
- (b) satisfactory replies to legal requisitions and interpretation plans sent to the various Government departments and Land Transport Authority of Singapore being received; and
- (c) there being no notices of intended acquisition or notices of acquisition affecting the Property or any part thereof by the Government or other competent authority issued on or before the date fixed for Completion.

5. Rationale and Benefit of the Proposed Acquisition

The Company intends to acquire the Property for the purposes of expanding the Group’s warehouse capacity, which are currently situated at the Company’s premises of 14 Lok Yang Way, 21A Neythal Road and 90 Second Lok Yang Road.

6. Financial Effects of the Proposed Acquisition

The Proposed Acquisition is not expected to have any material impact on the earnings per share and net tangible assets per share of the Group for the current financial year ending 30 September 2014.

The pro forma financial effects of the Proposed Acquisition presented below are strictly for illustratively purposes only, and do not reflect the actual financial position and/or results of the Group’s operations following the completion of the Proposed Acquisition and are not indicative of the future financial position and performance of the Group.

The illustrative financial effects of the Proposed Acquisition are as follows:

- (a) Net tangible assets (“**NTA**”)

Assuming the Proposed Acquisition had been completed on 30 September 2013 and based on the audit financial statements of the Group for the financial year ended 30 September 2013 (“**FY2013**”), the financial effects on the consolidated NTA of the Group for FY2013 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$)	99,363,548	99,363,548

Number of Shares	263,999,997	263,999,997
NTA per Share (S\$)	0.376	0.376

(b) Earnings per Share (“EPS”)

Assuming the Proposed Acquisition had been completed on 1 October 2012 and based on the financial statements of the Group for FY2013, the financial effects on the EPS of the Group for FY2013 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to owners of the Company (S\$)	6,363,421	5,968,773
Weighted average number of shares	263,999,997	263,999,997
Earning per stock unit (S\$)	2.41	2.26

7. Relative Figures

Based on the latest announced unaudited financial statements of the Group for the first quarter ended 31 December 2013, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Listing Manual”) are as follows:

Bases	Relative Figures
Rule 1006(a) – Net asset value of the assets to be disposed of, compared with the Group’s net asset value as at 31 December 2013 (being the date of the latest announced consolidated accounts of the Group)	Not Applicable ⁽¹⁾
Rule 1006(b) – Net profits attributable to the Property (the asset) to be acquired as at 31 December 2013 (being the date of the latest announced consolidated accounts of the Group), compared with the Group’s net profits for the same period	Not Applicable ⁽²⁾
Rule 1006(c) – Aggregate value of the purchase consideration to be given, compared with the Company’s market capitalization based on the total number of issued shares excluding treasury shares	5.9% ⁽³⁾
Rule 1006(d) – Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable ⁽⁴⁾

Notes:

- (1) Not applicable as this transaction relates to an acquisition.
- (2) Not applicable as there is no net profit attributable to the Property.
- (3) Computed based on the Consideration, divided by the Company's market capitalisation of S\$116,107,199 as at 5 May 2014. The Company does not have any treasury shares.
- (4) Not applicable as no equity securities are proposed to be issued by the Company as consideration for the Proposed Acquisition.

As the relative figure set out above exceeds 5% but does not exceed 20%, the Proposed Acquisition constitutes a "Discloseable Transaction" under Chapter 10 of the Listing Manual.

8. Interest of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition (other than through their shareholdings in the Company).

9. Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. Documents for Inspection

The following documents are available for inspection during normal business hours at the registered office of the Company at 50 Raffles Place, #06-00, Singapore Land Tower, Singapore 048623 for a period of three (3) months commencing from the date of this announcement:

- (a) the Option Agreement;
- (b) the Licence Agreement; and
- (c) the independent valuation report of 18 February 2014 issued by GB Global Pte Ltd on the Property.

By Order of the Board

Ong Chin Sum

Chief Executive Officer and Executive Director

6 May 2014